AMAERO INTERNATIONAL

Annual Report 2023

Amaero International Ltd

Contents


Herding

Chairman and Chief Executive Officer Report

Hank J. Holland

Dear Shareholders,

The 2023 financial year was one of transformation and renewal for Amaero International Limited as we repositioned from an additive manufacturing company to an advanced material and manufacturing business.

Importantly, the business has line of sight to commissioning state-of-art titanium powder production that will position Amaero as a U.S.-based, integral supplier to aerospace & defense and medical industries.

Progress with titanium powder facility and green light of flagship facility in the U.S.

In July 2022, Amaero announced that the Notting Hill, Victoria project had been delayed and later in the month, it was announced that Hank Holland would join the Board.

In September 2022, Amaero announced the following:

1. that the Board had terminated the Victorian project;
2. that Hank Holland had been appointed Executive Chairman;
3. that Amaero would focus its efforts of titanium powder production and would exit businesses considered non-core; and
4. that Amaero would explore alternative opportunities for titanium powder production facility and operations in the Middle East.

In November 2022, Amaero announced that Pegasus Growth Capital would fully sub-underwrite a $10.5 million Renounceable Entitlement Offering, that Hank Holland would assume the roles of Chairman and Chief Executive Officer and that Amaero had signed a Term Sheet for a joint venture with a UAE-based strategic partner.

In March 2023, Amaero terminated the JV Agreement. Amaero announced that it would proceed without a partner, anticipated green lighting the project by June 30 and that approvals were advancing with key stakeholders including KEZAD and Emirates Development Bank.

In July 2023, we moved to green light our flagship titanium project in Tennessee, U.S. with a number of financial, operational and strategic advantages leading Amaero to select this location over the UAE. The State of Tennessee, Cleveland-Bradley and Oak Ridge National Laboratory acted decisively to coordinate and to commit economic incentives to attract the re-location of the flagship facility, as well as Amaero's research & development and corporate headquarters. The economic incentives included a long-term commitment from the Tennessee Valley Authority ("TVA") for an investment credit and a long-term electricity rate subsidy. The TVA's proposed investment credit includes a 10-year commitment for electricity rates that will be lower than the subsidised rates in the UAE and 85% less than the prevailing rates in Victoria. Further, TVA has established strong infrastructure, including a dedicated substation for Spring Branch Industrial Park.

The Spring Branch Industrial Park is a 330-acre industrial park located on Interstate 75. To attract re-locating manufacturing operations such as Amaero, Cleveland-Bradley partnered with a local developer to develop a 9,300 square meter facility that was "nearing completion." Amaero signed a 15-year lease that includes the development of 2,800 square metre purpose-built, high-bay extension for the titanium powder production plants.

After nine months of all consuming efforts in the UAE, after advancing the build-to-suit planning at KEZAD and after the recent receipt of the Term Sheet from Emirates Development Bank, it was difficult to consider last minute advances for alternative locations in Tennessee or other States in the Southeast U.S.

At the same time, circumstances were fluid and Amaero's Board and management had a fiduciary duty to decisively pursue opportunities that are in our shareholders' best interests.

U.S. location has a number of financial and strategic advantages for Amaero

Firstly, the "Nearing Completion" industrial facility in the U.S. will accelerate the installation of titanium powder manufacturing plant, accelerate our breakeven operations by 12 months and reduce our working capital need by $22 million.

Secondly, Tennessee's aerospace & defence cluster includes 70+ companies that are supported by the national science laboratory, low cost and modern electricity infrastructure, a world-class university system and a strong, highly skilled workforce. In addition to A&D companies, Tennessee has a thriving manufacturing ecosystem that includes companies such as Bridgestone, Nissan, Eastman Chemical and Volkswagen.

Locating in Tennessee also has the strategic advantage of operating in a highly efficient and pro-growth business environment, as well as close proximity to Amaero's primary customers, to research and development partners, to the supply chain, to highly skilled employees and to robust capital markets. Locating in the U.S. will give Amaero more business development flexibility from an export control and technology transfer perspective.

Thirdly, Amaero will pursue U.S. government funding and incentives that target re-shoring advanced manufacturing and critical materials supply chain, with the U.S. passing cornerstone legislation for these initiatives over the past year. The established funding conduits include programs authorised by the U.S. Congress (Inflation Reduction Act; CHIPs and Science Act), by Department of Defense (includes Defense Production Act, Title III), by Department of Energy (includes Critical Materials Research, Development, Demonstration and Commercialization Application Program) and by the White House (AM Forward Program; Advanced Manufacturing Production Tax Credit for titanium production).

U.S. lease agreement secured

Under the move, Amaero signed a lease to be the sole tenant in 12,100 square metre manufacturing facility in Cleveland, Tennessee. Located in the 330-acre Spring Branch Industrial Park, the primary facility is comprised of 9,300 square metres and the shell will be completed in August 2023.

The "nearing completion" industrial facility will accelerate installation of the titanium powder production plant, accelerate breakeven operations by 12 months and reduce working capital need by $22 million.

Chairman and Chief Executive Officer Report

continued

In conjunction with the lease, a 2,800 square metre high-bay extension will be designed and purpose built for the installation of four (4) electrode inert gas atomisers (EIGAs). The lease has a primary term of 15 years, includes an allowance for tenant improvements and an Option to Purchase. The lease payments will be approximately 75% less than the former proposed build-to-suit facility at KEZAD in the UAE.

It is expected that Amaero will occupy the 9,300 square metre facility in April 2024 and will occupy the 2,800 square metre high-bay extension in July 2024. The facility is strategically located in close proximity to Chattanooga, Tennessee and is convenient to Oak Ridge National Laboratory and the University of Tennessee, Knoxville.

Whilst we selected the U.S. over the UAE, Amaero continues to have strong relationships in the UAE and will pursue "offset credit" funding for other strategic projects. The Tawazun Economic Council, Abu Dhabi Investment Office, Emirates Development Bank and KEZAD remain committed to provide enabling support for locating Amaero manufacturing operations in the UAE.

Capital raising and financials

In November 2022, we completed an Entitlement Offer raising approximately $10.5 million with the funds raised used for restructuring costs, operating activities and working capital.

In FY23, the Company reported a net loss of $12.53 million (FY22: $8.62 million). The Company had $8.8 million in cash and cash equivalents as at 30 June 2023.

Board renewal

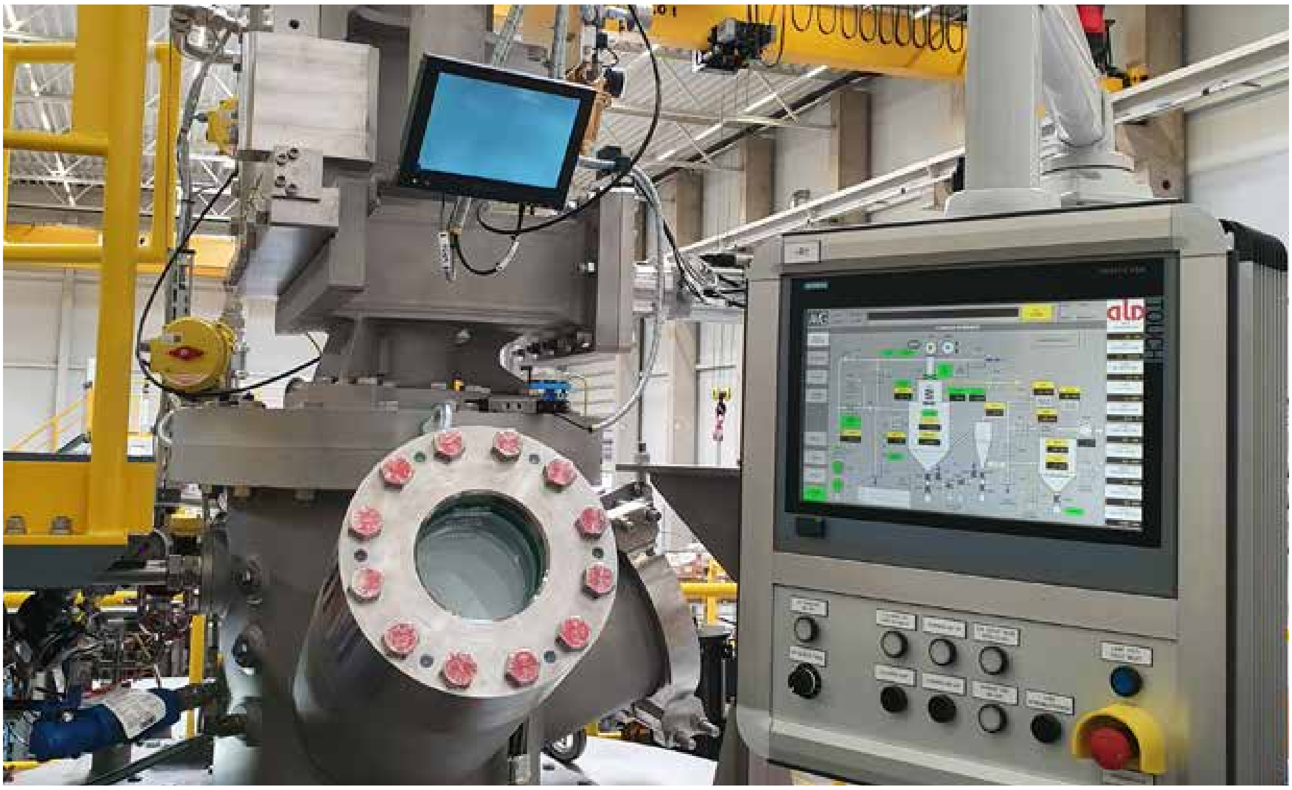
During the financial year, we renewed our Board with a number of new appointments, including my appointment as Executive Chairman in September 2022 and my subsequent move to Chairman and Chief Executive Officer in November.

On 25 November 2022, commercial law specialist, Ms. Lucy Robb Vujcic was appointed as a Non-Executive Director. Ms. Robb Vujcic is an experienced Barrister that is briefed to advise and appear in complex litigation and arbitrations involving corporate law, general equity and breach of contract.

On 12 January 2023, Mr. Omer Granit was appointed as a Non-Executive Director following the completion of regulatory requirements, as approved by shareholders of the Company at the Annual General Meeting held in November 2022.

Mr. Granit is a US trained M&A attorney and a global investor, Partner at US-based early-stage venture capital firm, Infinity VC, and a Managing Partner and Founder at West 4 Capital Management, a London-based hedge fund.

On 31 March 2023, Amaero appointed Erik Levy as a Non-Executive Director. Based in New York City, Mr. Levy is an experienced private equity investor who brings a depth of experience in global capital markets, M&A and corporate strategy. He is Managing Partner of EnPar Capital and prior to that, he was a Founding Partner and Managing Director of BlackRock's Direct Private Equity business.



The Company also nominated Robert "Bob" Latta as a Non-Executive Director, with his appointment to become effective upon satisfying the requisite regulatory conditions. Based in California, he is a Partner and General Counsel at Pegasus Growth Capital, Amaero's largest shareholder. He joined Wilson Sonsini Goodrich & Rosati in 1979 and was a senior partner of the leading law firm for 40 years. He brings extensive knowledge and experience in growth capital financings, public offerings, strategic partnerships and mergers & acquisitions.

Non-Executive Director Ms. Kathryn Presser and Executive Director Mr. Stuart Douglas resigned from the Board during the financial year and Amaero thanks them for their service.

Outlook and closing

Amaero enters FY24 with a solid foundation for growth with a titanium production facility in a region that presents numerous financial, strategic and operational benefits for our Company.

The green lighting of our flagship project in Tennessee was a seminal event for Amaero and a cornerstone development for Amaero's shareholders, our employees and our customers.

I'd like to thank my fellow Board Members, Management team and all Amaero employees for their hard work and dedication over the past twelve months as we have repositioned our Company for growth.

I'd like to thank our shareholders for their patience and continued support over a period of immense change and renewal for Amaero.

With the green lighting of the Tennessee project, we expect the cadence of material announcements and tangible milestones to accelerate and I look forward to updating shareholders on our progress over the months ahead.

Hank J Holland

Hank J. Holland
Chairman and Chief Executive Officer

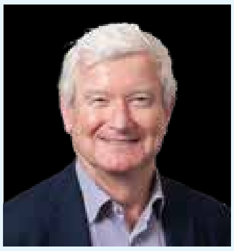
Board of Directors

Hank J. Holland

Chairman and Chief Executive Officer - appointed on 1 November 2022

Mr Holland is Founder and Managing Partner of Pegasus Growth Capital, a U.S.-based private equity firm. Pegasus led Amaero's May 2022 privately placed $11 million financing and Pegasus was sub-underwriter for the November 2022 Rights Offering financing of $10.5 million.

Holland has 35 years of investment, finance and capital markets experience. Prior to founding Pegasus, he held senior investment positions at First Republic Bank, Merrill Lynch and Alliance Bernstein. He received a B.S. in Civil Engineering at Southern Methodist University and a Masters in Agriculture at Colorado State University.



David Hanna

Non-Executive Director - appointed on 13 June 2019

David is an experienced Board member and senior bureaucrat. He was Director, Business Strategy for Monash University from 2012 until September 2020 where he led a small team providing strategic support and financial advice in relation to the University's major investment decisions. In the 15 years prior to joining Monash University, David held a variety of senior management positions in the Victorian Government, these positions focused mainly around economic development policy, international policy and operations and innovation policy. Earlier, David spent 15 years in the Commonwealth Government, including three years on the personal staff of then Prime Minister, Bob Hawke. He has substantial experience in strategy development and delivery, innovation, governance and stakeholder engagement and management.

He sits or has sat on the Boards and Finance and risk committees of Docklands Studios Melbourne, the Hudson Institute of Medical Research and Unimutual Ltd giving him varied experience on both commercial and not for profit Board with particular focus on strategy, governance and financial accountability.

David has a Bachelor of Economics and a Bachelor of Arts (Asian Studies) from The Australian National University. He is also a Graduate of the Australian Institute of Company Directors.

Lucy Robb Vujcic

Non-Executive Director - appointed on 25 November 2022

Lucy is a non-executive director and Chair of the Audit and Risk Committee.

She is a commercial barrister specialising in the resolution of complex disputes involving corporate governance, defence procurement, government contracts and international arbitration.

Before coming to the Bar, Lucy was an associate at U.S. law firm Skadden, Arps, Slate, Meagher & Flom LLP, where she acted for multinational corporations in bilateral investor state disputes.

Lucy started her career as a member of the team defending Momcilo Krajisnik, a Bosnian Serb civilian leader charged with genocide, conspiracy and crimes against humanity at the International Criminal Tribunal for the Former Yugoslavia.

She has lectured extensively in commercial law subjects and constitutional law at the University of Sydney.

Lucy has a Bachelor of Arts and a Bachelor of Laws with first class honours from the University of Sydney. She completed her Masters of Law as a Vanderbilt Scholar at New York University.

Lucy is a Fellow of the Governance Institute of Australia and a reserve officer in the Royal Australian Navy.

Omer Granit

Non-Executive Director - appointed on 12 January 2023

Omer joined Amaero's Board to assist with the group's global expansion and capital markets engagement. After a career as a practicing attorney at the offices of White & Case in New York City, Omer pivoted to finance, managing a multi-million dollar family office in London and serving in roles including international investments, business development, M&A and the structuring of new products and services at the Migdal Group, one of Israel's leading financial services firms.

He is the Founder and former CEO of high-end co-working company, Mixer Global and the Managing Partner and Founder of West 4 Capital, a leading hedge fund in the income generating real-estate space. Omer currently serves as a Partner at early-stage venture capital firm Infinity VC. His previous positions include Board Directorships at the Monte Rosa Private Equity Fund, The Dragon Variation Fund, and the MGT hedge fund.

Omer has LLM (Master of Law), Corporate lawLLM (Master of Law) & Corporate law 2006-2007 degrees from New York University School of Law where he was also Elected for the Student Bar Association as Valedictorian. He also has a LLB (Law) & BA, Finance LLB(Law) & BA, Finance 2000 -2004 degrees form Reichman University.

Erik Levy

Non-Executive Director - appointed on 31 March 2023

Based in New York City, Mr. Levy is an experienced private equity investor who brings a depth of experience in global capital markets, M&A and corporate strategy. He is Managing Partner of EnPar Capital and prior to that, he was a Founding Partner and Managing Director of BlackRock's Direct Private Equity business.

Prior, he spent over 12 years with CPP Investment Board building the firm's Direct Private Equity business. He received a BSc in Actuarial Mathematics at Concordia University and a Masters Business Administration (MBA) from University of Toronto - Rotman School of Management.

See pages 11 to 13 for further information

Corporate Governance

Amaero and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders. The Board of Directors has reviewed the Company's corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The Corporate Governance Statement is available on the company's website at https://www.amaero.com.au.

Directors' Report FY23

For the year ended 30 June 2023

Directors' Report

30 June 2023

DIRECTORS AND COMPANY SECRETARY

The following persons held office as directors of Amaero International Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr Hank J. Holland (appointed as Director on 1 August 2022, Executive Chairman on 29 September 2022; assumed the role of Chairman and Chief Executive Officer on 1 November 2022)
Mr David Hanna (Non-Executive Chairman until 29 September 2022; Non-Executive Director from 29 September 2022)
Ms Lucy Robb Vujcic (appointed as Non-Executive Director 25 November 2022) Mr Omer Granit (appointed 12 January 2023)
Mr Erik Levy (appointed 31 March 2023)
Ms Kathryn Presser (resigned as Non-Executive Director 29 September 2022) Mr Stuart Douglas (resigned as Non-Executive Director 25 November 2022)

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the group were primarily focused on titanium powder production utilised by the additive manufacturing industry as well as developing an integrated and resilient midstream supply chain for titanium. The group provides applied engineering and commercialisation services in collaboration with aerospace, defence and other industries that utilise additive manufacturing.

DIVIDENDS - AMAERO INTERNATIONAL LTD

No dividends were declared or paid to members for the year ended 30 June 2023. The directors do not recommend that a dividend be paid in respect of the financial year.

REVIEW OF OPERATIONS

The group has reported a loss for the year of $12,527,776 (2022: $8,621,489), with net assets amounting to $14,958,610 as at 30 June 2023 (2022: $14,670,982), including cash reserves of $8,833,468 (2022: $11,117,957).

In November 2022, Amaero raised ~A$10.5 million via a Fully Underwritten Renounceable Entitlement Offer, fully underwritten by PAC Partners Securities which entered into a sub-underwriting agreement with an affiliate of major shareholder, Pegasus Growth Capital (Pegasus), whereby Pegasus agreed to sub-underwrite the Entitlement Offer to the amount of A$10.5 million. Funds raised were used for restructuring costs, operating activities and working capital.

In September, Amaero announced a strategic review of the group's operations, business development opportunities, allocation of capital and funding needs. On 29 September 2022, the Group announced the completion of the initial phase of the strategic review, with the Board deciding not to proceed with the titanium powder manufacturing facility in Victoria, Australia.

The Board also took active steps to pursue alternative opportunities for titanium powder production in the Middle East. The Board also determined that Amaero's operations will be primarily focused on titanium powder production.

In December, Amaero secured a binding joint venture agreement with Rabdan Industries PLC, an affiliate of Ethmar Holdings, for additive manufacturing and powder production in Abu Dhabi, UAE. The JV Agreement provided that Amaero and Rabdan would exclusively partner on additive manufacturing and metal powder production in the Middle East. In addition, the JV would pursue an ambitious strategy to develop projects in order to vertically integrate the titanium supply chain including titanium sponge, melt, mill and forge operations.

In March, Amaero and Rabdan terminated the JV Agreement with the termination increasing Amaero's ownership of the UAE project from 50% to 100%. Amaero selected Khalifa Economic Zones Abu Dhabi as the site for its titanium powder production facility and advanced project financing with Emirates Development Bank.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the information disclosed in the review of operations above, there are no significant changes in the state of affairs that the group has not disclosed.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

On 14 July 2023 Amaero announced it has green lighted its flagship titanium powder manufacturing facility in Tennessee, U.S instead of the UAE. The State of Tennessee acted decisively to coordinate and to commit economic incentives from multiple stakeholders to attract the re-location of the flagship facility, as well as Amaero's research & development and corporate headquarters.

On 12 July 2023 the new entity in Tennessee was incorporated: Amaero Advanced Material & Manufacturing INC (100% subsidiary of the Group).

On 12 July 2023 Amaero signed a lease to be the sole tenant in 12,100 square metre manufacturing facility in Cleveland, Tennessee. The primary facility is comprised of 9,300 square metres and the shell will be completed in August 2023. In conjunction with the lease, a 2,800 square metre high-bay extension will be designed and purpose built for the installation of four (4) electrode inert gas atomisers (EIGAs). It is expected that Amaero will occupy the 9,300 square metre facility in April 2024 and will occupy the 2,800 square metre high-bay extension in July 2024.

The lease is for an initial term of 15 years with an option to extend for another 5 years. This will result in recognition of right-of-use asset of $24,196,000 and a corresponding lease liability of $21,179,409 and make good provision of $3,016,591, in accordance with AASB 16 Leases.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than the information disclosed in the review of operations above, there are no likely developments or details on the expected results of operations that the group has not disclosed.

ENVIRONMENTAL REGULATION

The group is not affected by any significant environmental regulation in respect of its operations.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Mr Hank J. Holland - Chairman and Chief Executive Officer

Experience and expertise	Mr Holland is Founder and Managing Partner of Pegasus Growth Capital, a U.S.-based private equity firm. Pegasus led Amaero's May 2022 privately placed $11 million financing and Pegasus was sub-underwriter for the November 2022 Rights Offering financing of $10.5 million. Holland has 35 years of investment, finance and capital markets experience. Prior to founding Pegasus, he held senior investment positions at First Republic Bank, Merrill Lynch and Alliance Bernstein. He received a B.S. in Civil Engineering at Southern Methodist University and a Masters in Agriculture at Colorado State University.
Date of appointment	1 November 2022
Other current directorships	Hank is a Director of W Motors in the UAE; DYLN in the U.S.; Trifecta, Inc in the U.S.; Warp Speed Mortgage in the U.S.; Project Apollo in Poland.
Former directorships in last 3 years	No ASX listed Directorships in the past 3 years but Hank was a Director of LogicSource, Inc in U.S.
Special responsibilities	No additional Responsibilities

Mr David Hanna - Non-Executive Director

Experience and expertise	David is an experienced Board member and senior bureaucrat. He was Director, Business Strategy for Monash University from 2012 until September 2020 where he led a small team providing strategic support and financial advice in relation to the University's major investment decisions. In the 15 years prior to joining Monash University, David held a variety of senior management positions in the Victorian Government, these positions focused mainly around economic development policy, international policy and operations and innovation policy. Earlier, David spent 15 years in the Commonwealth Government, including three years on the personal staff of then Prime Minister, Bob Hawke. He has substantial experience in strategy development and delivery, innovation, governance and stakeholder engagement and management. He sits or has sat on the Boards and Finance and risk committees of Docklands Studios Melbourne, the Hudson Institute of Medical Research and Unimutual Ltd giving him varied experience on both commercial and not for profit Board with particular focus on strategy, governance and financial accountability. David has a Bachelor of Economics and a Bachelor of Arts (Asian Studies) from The Australian National University. He is also a Graduate of the Australian Institute of Company Directors.
Date of appointment	13 June 2019
Other current directorships	David was also Chairman of Docklands Studios Melbourne Pty Ltd (DSM) until 30 June 2023.
Former directorships in last 3 years	No ASX listed directorships in the last 3 years but was a Director of Unimutual Ltd, a Director of the Hudson Institute of Medical Research Ltd, and a Director of Springvale Monash Legal Service Ltd until June/September 2020. He ceased to be President of Film Victoria in October 2022.
Special responsibilities	Chair of the Remuneration Committee, Member of the Audit and Risk Committee.

Directors' Report

30 June 2023

Ms Lucy Robb Vujcic - Non-Executive Director

Experience and expertise	Lucy is a non-executive director and Chair of the Audit and Risk Committee. She is a commercial barrister specialising in the resolution of complex disputes involving corporate governance, defence procurement, government contracts and international arbitration. Before coming to the Bar, Lucy was an associate at U.S. law firm Skadden, Arps, Slate, Meagher & Flom LLP, where she acted for multinational corporations in bilateral investor state disputes. Lucy started her career as a member of the team defending Momcilo Krajisnik, a Bosnian Serb civilian leader charged with genocide, conspiracy and crimes against humanity at the International Criminal Tribunal for the Former Yugoslavia. She has lectured extensively in commercial law subjects and constitutional law at the University of Sydney. Lucy has a Bachelor of Arts and a Bachelor of Laws with first class honours from the University of Sydney. She completed her Masters of Law as a Vanderbilt Scholar at New York University. Lucy is a Fellow of the Governance Institute of Australia and a reserve officer in the Royal Australian Navy.
Date of appointment	25 November 2022
Other current directorships	No other current listed directorships.
Former directorships in last 3 years	No ASX listed Directorships in the last 3 years
Special responsibilities	Chair of the Audit and Risk Committee

Mr Omer Granit - Non-Executive Director

Experience and expertise	Omer joined Amaero's Board to assist with the group's global expansion and capital markets engagement. After a career as a practicing attorney at the offices of White & Case in New York City, Omer pivoted to finance, managing a multi-million dollar family office in London and serving in roles including international investments, business development, M&A and the structuring of new products and services at the Migdal Group, one of Israel's leading financial services firms. He is the Founder and former CEO of high-end co-working company, Mixer Global and the Managing Partner and Founder of West 4 Capital, a leading hedge fund in the income generating real-estate space. Omer currently serves as a Partner at early-stage venture capital firm Infinity VC. His previous positions include Board Directorships at the Monte Rosa Private Equity Fund, The Dragon Variation Fund, and the MGT hedge fund. Omer has LLM (Master of Law), Corporate lawLLM (Master of Law) & Corporate law 2006-2007 degrees from New York University School of Law where he was also Elected for the Student Bar Association as Valedictorian. He also has a LLB (Law) & BA, Finance LLB(Law) & BA, Finance 2000 -2004 degrees form Reichman University.
Date of appointment	12 January 2023
Other current directorships	No other current listed directorships.
Former directorships in last 3 years	No ASX listed directorships in the last 3 years but was a Board Member of the Member of the Bord of the Monte Rosa Private Equity Fund until September 2017, and a Board Member of The Dragon Variation Fund and the MGT hedge fund until October 2014.
Special responsibilities	Member of the Audit and Risk Committee

Mr Erik Levy - Non-Executive Director

Experience and expertise	Based in New York City, Mr. Levy is an experienced private equity investor who brings a depth of experience in global capital markets, M&A and corporate strategy. He is Managing Partner of EnPar Capital and prior to that, he was a Founding Partner and Managing Director of BlackRock's Direct Private Equity business. Prior, he spent over 12 years with CPP Investment Board building the firm's Direct Private Equity business. He received a BSc in Actuarial Mathematics at Concordia University and a Masters Business Administration (MBA) from University of Toronto - Rotman School of Management.
Date of appointment	31 March 2023
Other current directorships	None
Former directorships in last 3 years	No ASX listed directorships in the last 3 years but Erik was previously a Director of Informatica Corporation, Altice USA, Suddenlink Communications, Acelity, JemPak and Skype technologies.
Special responsibilities	No additional Responsibilities

COMPANY SECRETARY

Mr Mark Licciardo, appointed 30 November 2020

Mark is the founder of Mertons Corporate Services, now part of Acclime Australia where he is Partner and Managing Director, Listed Company Services. Acclime provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Widely recognised as a leader in his field, Mark has extensive experience working with boards of high profile ASX-listed companies guiding and implementing effective corporate governance practices.

He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies.

During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governace Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2023, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees Audit and Risk	
	A	B	A	B
Mr Hank J. Holland	4	4	–	–
Mr David Hanna	5	5	1	1
Ms Lucy Robb Vujcic	2	2	3	3
Mr Omer Granit	2	2	3	3
Mr Erik Levy	1	1	–	–

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the Audit & Risk Committee during the year.

Directors' Report

30 June 2023

REMUNERATION REPORT (AUDITED)

The directors present the Amaero International Ltd 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report

(b) Remuneration policy and link to performance

(c) Elements of remuneration

(d) Link between remuneration and performance

(e) Remuneration expenses

(f) Contractual arrangements with executive KMPs

(g) Non-executive director arrangements

(h) Additional statutory information

(a) Key management personnel covered in this report

Non-executive and executive directors (see pages 6 to 7 for details about each director)

Other key management personnel

Mr Barrie Finnin resigned as Chief Executive Officer and assumed the role of Chief Technology Officer and Manager of Australian Operations on 1 November 2022.

(b) Remuneration policy and link to performance

Any review of remuneration is determined by the Board after advice from the Remuneration Committee. The Board reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- acceptable to shareholders.

Element	Purpose	Performance metrics	Potential value
Fixed remuneration (FR)	Provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at the market rate
Annual Key Performance Incentives (KPI's)	Reward for in-year performance and retention	KPI achievement, determined by the Board	CEO: An amount of approximately 825,000 shares across three years upon the achievement of agreed key performance indicators (KPI's)

Assessing performance

The Board is responsible for assessing performance against KPIs and determining the STI to be paid.

Performance is monitored on an informal basis throughout the year and a formal evaluation is performed annually.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Key management personnel may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance and car allowances. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Board aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

(ii) Short-term incentives

All employees are entitled to participate in a short-term incentive scheme which provides for employees to receive short-term incentives (STI) as part of their total remuneration if they achieve certain performance indicators as set by the Board. The STI can be paid either by cash, or a combination of cash and the issue of equity in the Company, at the determination of the Board.

The Company's CEO is entitled to short-term incentives in the form of equity. To be entitled to receiving the equity, the CEO must complete agreed key performance indicators (KPIs). On an annual basis, KPIs are reviewed and agreed in advance of each financial year and include financial and non-financial company and individual performance goals.

(d) Link between remuneration and performance

Statutory performance indicators

Amaero aligns Executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2023	2022	2021	2020	2019
Loss for the year attributable to owners	**(12,527,776)**	(8,621,489)	(6,990,084)	(5,777,946)	(82,341)
Basic earnings per share (cents)	**(3.62)**	(4.17)	(3.7)	(4.0)	(0.3)
Share price at year end ($)	**0.097**	0.165	0.58	0.14	0.00

The company's earnings have remained negative since inception due to the early stages of development of business. No dividends have been declared by Amaero International Ltd. The company continues to focus on revenue growth with the objective of achieving key commercial milestones in order to add shareholder value.

Directors' Report

30 June 2023

(e) Remuneration expenses

The following tables show details of the remuneration expense recognised for the group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

The following table shows details of remuneration expenses recognised for the year ended 30 June 2023.

2023	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees $	Cash bonus $	Annual leave $	Super-annuation $	Long service leave $	Options $	Equity Based Shares $	Total $
Non-executive directors								
Mr David Hanna	65,408	–	–	6,868	–	–	–	72,276
Ms Lucy Robb Vujcic***	34,167	–	–	–	–	–	–	34,167
Mr Omer Granit	35,000	–	–	–	–	–	–	35,000
Mr Erik Levy	15,000	–	–	–	–	–	–	15,000
Ms Kathryn Presser*	16,290	–	–	–	–	–	–	16,290
Mr Stuart Douglas**	80,000	–	–	–	–	–	–	80,000
Executive directors								
Mr Hank J. Holland**	700,152	–	28,554	31,825	–	–	–	760,531
Other KMP								
Mr Barrie Finnin	348,919	41,812	(7,572)	27,500	9,860	–	–	420,519
Total KMP compensation	**1,294,936**	**41,812**	**20,982**	**66,193**	**9,860**	**–**	**–**	**1,433,783**

Notes

* Ms Kathryn Presser resigned on 29 September 2022 and Mr Stuart Douglas resigned on 25 November 2022. In addition, Mr Stuart Douglas is compensated via Innovyz (a company of which he is a Principal).
** Mr Hank J. Holland is compensated via Pegasus (a company of which he is a Principal).
*** Ms Lucy Robb Vujcic was appointed Chair of the Audit committee during the year.

The following table shows details of remuneration expenses recognised for the year ended 30 June 2022.

2022	Short-term benefits			Post-employment benefits	Long-term benefits				
	Cash salary and fees $	Cash bonus $	Annual leave $	Super-annuation $	Long service leave $	Options $	Share-based payments Shares $	Rights to deferred shares $	Total $
Non-executive directors									
Mr David Hanna	72,000	–	–	7,200	–	–	–	–	79,200
Ms Kathryn Presser*	60,000	–	–	6,000	–	–	–	–	66,000
Mr Stuart Douglas**	180,000	–	–	–	–	–	60,000	–	240,000
Other KMP									
Mr Barrie Finnin	322,060	–	1,673	27,500	6,309	–	88,492	5,067	451,101
Total KMP compensation	**634,060**	**–**	**1,673**	**40,700**	**6,309**	**–**	**148,492**	**5,067**	**836,301**

Notes

* Ms Kathryn Presser resigned on 29 September 2022.
** Mr Stuart Douglas resigned on 25 November 2022. In addition, Mr Stuart Douglas is compensated via Innovyz (a company of which he is a Principal).
During the year, directors and other employees received a portion of their annual remuneration in the form of equity.

(f) Contractual arrangements with executive KMPs

Name:	Mr Hank J. Holland
Position:	Chairman and Chief Executive Officer
Contract duration:	Unspecified
Notice period:	Unspecified
Fixed remuneration:	2023 - $754,148 per annum plus 75,415 superannuation 2022 - N/A

Name:	Mr Barrie Finnin
Position:	Chief Technical Officer & Manager of Australian Operations (appointed 1 November 2022)
Contract duration:	Unspecified
Notice period:	3 months by either party
Fixed remuneration:	2023 - $348,812 per annum, plus max superannuation 2022 - $314,807 per annum, plus max superannuation

(g) Non-executive director arrangements

Non-executive directors receive a Board fee and fees for chairing but not participating on Board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation.

Fees are reviewed annually by the Board, taking into account comparable roles and market data.

The maximum annual aggregate directors' fee pool limit is $500,000, adopted on initial public offering of Amaero International Ltd on 5 December 2019.

	2023 $	2022 $
Chair	**72,000**	72,000
Director	**50,000**	50,000
Chair of Committee	**10,000**	10,000

(h) Additional statutory information

(i) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 16.

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Non-executive director						
Mr David Hanna	**100**	100	**–**	–	**–**	–
Ms Lucy Robb Vujcic	**100**	–	**–**	–	**–**	–
Mr Omer Granit	**100**	–	**–**	–	**–**	–
Mr Erik Levy	**100**	–	**–**	–	**–**	–
Ms Kathryn Presser*	**100**	100	**–**	–	**–**	–
Mr Stuart Douglas*	**100**	75	**–**	25	**–**	–
Executive directors						
Mr Hank J. Holland	**100**	–	**–**	–	**–**	–
Other KMP						
Mr Barrie Finnin	**90**	79	**10**	21	**–**	–

* Ms Kathryn Presser resigned on 29 September 2022 and Mr Stuart Douglas resigned on 25 November 2022.

During the financial year 2022, directors and other employees received a portion of their annual remuneration in the form of equity.

Directors' Report

30 June 2023

(ii) Reconciliation of options and ordinary shares held by KMP

Option holdings

2023	Balance at start of the period[1]	Granted as remuneration	Exercised	Other changes	Balance at end of the period[2]
Ordinary shares					
Mr Hank J. Holland	18,673,464	–	–	134,551,173	153,224,637
Mr David Hanna	–	–	–	252,324	252,324
Ms Lucy Robb Vujcic	–	–	–	–	–
Mr Omer Granit	11,096,647	–	–	–	11,096,647
Mr Erik Levy	–	–	–	–	–
Ms Kathryn Presser	–	–	–	–	–
Mr Stuart Douglas	–	–	–	–	–
Mr Barrie Finnin	–	–	–	750,746	750,746
	29,770,111	**–**	**–**	**135,554,243**	**165,324,354**

Notes

1. Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.
2. For former KMP, the balance is as at the date they cease being KMP. Ms Kathryn Presser resigned on 29 September 2022 and Mr Stuart Douglas resigned on 25 November 2022.

Share holdings

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

2023	Balance at the start of the period[1]	Granted as remuneration	Received on exercise of options	Other changes[2]	Balance at the end of the period[3]
Ordinary shares					
Mr Hank J. Holland	37,346,929	–	–	126,178,039	163,524,968
Mr David Hanna	428,949	–	–	252,324	681,273
Ms Lucy Robb Vujcic	–	–	–	–	–
Mr Omer Granit	18,224,294	–	–	–	18,224,294
Mr Erik Levy	–	–	–	–	–
Ms Kathryn Presser	142,267	–	–	(142,267)	–
Mr Stuart Douglas	21,924,316	–	–	(21,924,316)	–
Mr Barrie Finnin	1,119,914	–	114,060	636,683	1,870,657
	79,186,669	**–**	**114,060**	**105,000,463**	**184,301,192**

Notes

1. Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.
2. Other changes incorporates changes resulting from the acquisition or disposal of shares from on or off market transactions.
3. For former KMP, the balance is as at the date they cease being KMP. Ms Kathryn Presser resigned on 29 September 2022 and Mr Stuart Douglas resigned on 25 November 2022.

USE OF REMUNERATION CONSULTANTS

During the financial year ended 30 June 2023, the Group did not engage any Remuneration Consultants. Voting and comments made at the company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 85.62% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

[This concludes the remuneration report, which has been audited]

SHARES UNDER OPTIONS AND PERFORMANCE RIGHTS

(a) Unissued ordinary shares

Unissued ordinary shares of Amaero International Ltd under options and performance rights at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Number under options
04/07/2022	04/07/2025	$0.42	7,520,439
01/08/2022	01/08/2025	$0.42	18,673,464
02/12/2022	02/12/2025	$0.18	188,059,702
			214,253,605

Performance right class	Performance condition	Approximate number of rights
Class C	Performance rights vest on 1 July 2022	21,066
Class D	Performance rights vest on 1 July 2023	240,695
New Class	Performance rights vested on 18 July 2022	1,495,804
	Total	1,757,565

(b) Shares issued on the exercise of options and performance rights

During the year, 219,629 Performance Rights Class C were converted into Shares. In addition, 2,022,491 New Class Performance Rights were issued and vested upon the attainment of conditions. 94,124 Performance Rights were subsequently lapsed because the conditions have not been, or have become incapable of being, satisfied. 432,563 Performance Rights were subsequently converted into Shares. As at 30 June 2023, 1,757,565 Performance Rights remain outstanding.

INSURANCE OF OFFICERS AND INDEMNITIES

(a) Insurance of officers

Amaero International Ltd pays a premium of $140,000 to insure its directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Directors' Report

30 June 2023

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group and/or the group are important.

Details of the amounts paid or payable to the auditor (RSM Australia Partners) for audit and non-audit services provided during the year are set out in Note 17 to the financial statements.

The Board of directors has considered the position and, in accordance with advice received from the audit and risk committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year no additional fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the company who are former partners of RSM Australia Partners.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

This report is made in accordance with a resolution of directors.

Hank J Holland

Mr Hank J. Holland
Chairman and Chief Executive Officer

Melbourne
25 August 2023

Risk Factors 3DA

The following is a summary of the material risks of the Group (in no particular order of importance). These risks may adversely impact on the Group's financial and operating performance.

1. COMPANY AND INDUSTRY RISKS

The risks outlined below are specific to the Group's operations.

1.1 Dependency on the completion of the manufacturing facility in Tennessee U.S

The facility comprises of 9,300 square meters and the shell has been substantially completed. The existing facility, as well as 2,800 square meter high-bay extension must be fit out. It is expected that the facility will be ready for equipment installation on or about July 1, 2024.

The Group is reliant on the timely completion of this facility before manufacturing can commence. Failure to reach the occupancy dates without an appropriate countermeasure could have an adverse effect on Amaero's financial condition, prospects, or operations.

1.2 Product manufacturing and regulatory risk

Upon commissioning the electrode inert gas atomizers, Amaero must optimize the process parameters to commence powder production. Thereafter, Amaero will work with aerospace & defence, as well as medical customers to qualify the powder.

1.3 Manufacturing of quality product, approved for commercial sale.

The Group's ability to attract and maintain relationships with major customers is integral to its financial performance. The high value powder sales are subject to material qualification.

1.4 Compliance Risk

The Group will operate in a regulated industry and will be subject to compliance risk.

1.5 Inability to retain and attract appropriately skilled employees.

Future financial and operational performance of the Group is significantly dependant on the performance and expertise of key personnel. The unplanned loss of key personnel, or the inability to retain high performing individuals may adversely impact the Group's ability to deliver its customer commitments and future financial performance.

1.6 Risk of delay and continuity of operations

The Group may experience delay in achieving some critical milestones. Critical milestones include completion of facility, commissioning of equipment and qualification of material.

1.7 Future capital requirements

The Group is generally loss making and will require additional financing in the future to sufficiently fund its operations, research and development, and manufacturing. Any additional equity financing will likely be dilutive to shareholders and may be undertaken at lower prices than the current market price.

Although the Directors believe additional capital can be obtained if required, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing could have a material adverse effect on the Group's business, financial condition, and results of operations.

1.8 Competition Risk

A number of companies in the U.S., Canada and Europe manufacture titanium and speciality alloy powder. The company faces competition in its markets.

1.9 Contractual risk

Possible disputes or breakdown in relationships between the Group and counterparties to its contracts, could negatively impact the business if the Group is in breach of any of its agreements and its counterparties seek to pursue the Group for breach of contract, or enforce security interests against the Group's assets.

Risk Factors 3DA

2. GENERAL RISKS

The future prospects of the Group's business may be affected by circumstances and external factors beyond the Group's control. Performance of the Group may be affected by several business risks that apply to companies generally and may include economic, financial, market or regulatory conditions. The Group's contracts now or in the future may adversely be affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, pandemics, epidemics or quarantine restrictions.

2.1 Economic risks

The operating and financial performance of the Group is influenced by a variety of general economic and business conditions. No guarantee can be made that the Group's market performance will not be adversely affected by any such market fluctuations or factors.

2.2 Market conditions

Returns from an investment in Shares will depend on general stock market conditions as well as the performance of the Group. An investment in the Group's Shares has the general risks associated with any investment in the share market. The market price of the Group's Shares can fall as well as rise and may be subject to unpredictable and varied influences in general.

The price at which the Shares trade, regardless of operating performance can affect the Group's ability to raise additional equity and/or debt to achieve its objectives, if required.

2.3 Liquidity Risk

The market for the Group's Shares may be illiquid, consequently investors may be unable to readily exit or realise their investment.

2.4 Government regulations

The Company is subject to environmental, occupational and manufacturing regulations.

2.5 Insurance risk

The Group intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial position, and results of the Group.

2.6 Litigation risk

The Group is not currently engaged in any litigation. However, the industry is frequently subject to class actions and other litigation in the US as well as in other jurisdictions. There's a risk that a member of the Group could be made a party to such litigation. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow, share price and/or industry standing of the Group.

Auditor’s Independence Declaration

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR’S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Amaero International Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Melbourne, Victoria
Dated: 25 August 2023

Contents

These financial statements are consolidated financial statements for the group consisting of Amaero International Ltd and its subsidiaries. A list of major subsidiaries is included in Note 12.

The financial statements are presented in the Australian currency.

Amaero International Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
13 Normanby Road
Notting Hill VIC 3168

Its principal place of business is:
Amaero International Ltd
13 Normanby Road
Notting Hill VIC 3168

The financial statements were authorised for issue by the directors on 28 August 2023. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2023

	Notes	30 June 2023 $	30 June 2022 $
Revenue from contracts with customers	2	790,514	569,834
Cost of sales		(667,807)	(710,389)
Gross profit/(loss)		122,707	(140,555)
Other income	3(a)	1,814,682	884,062
Other (losses)/gains		177,871	54,674
Distribution costs		(108,868)	(66,662)
General and administrative expenses	3(b)	(7,725,824)	(5,732,307)
Restructuring costs	3(c)	(2,849,092)	–
Research and development expenses		(3,323,262)	(2,989,370)
Selling and marketing expenses		(269,804)	(432,719)
Operating loss		(12,161,590)	(8,422,877)
Finance income		48,142	30,743
Finance expenses		(240,577)	(219,344)
Finance costs – net		(192,435)	(188,601)
Share of loss from equity accounted joint ventures	12(b)	(173,751)	(10,011)
Loss before income tax		(12,527,776)	(8,621,489)
Income tax expense	4	–	–
Loss for the period		(12,527,776)	(8,621,489)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	7(b)	76,290	319,843
Total comprehensive loss for the period		(12,451,486)	(8,301,646)

		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	18	(3.62)	(4.17)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

as at 30 June 2023

	Notes	30 June 2023 $	30 June 2022 $
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**8,833,468**	11,117,957
Trade and other receivables	5(b)	**155,763**	366,138
Inventories	6(a)	**1,026,757**	1,087,860
Other current assets		**117,455**	146,940
Total current assets		**10,133,443**	12,718,895
Non-current assets			
Investments accounted for using the equity method	6(f)	**209,099**	351,834
Property, plant and equipment	6(b)	**7,657,940**	8,593,258
Other non-current assets	6(c)	**245,981**	191,832
Total non-current assets		**8,113,020**	9,136,924
Total assets		**18,246,463**	21,855,819
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**826,247**	1,443,309
Employee benefit obligations	6(d)	**269,520**	232,042
Lease liabilities	6(e)	**674,177**	282,828
Provision for restructuring		**469,240**	–
Total current liabilities		**2,239,184**	1,958,179
Non-current liabilities			
Employee benefit obligations	6(d)	**80,205**	56,481
Lease liabilities	6(e)	**968,464**	2,364,018
Borrowings	6(g)	**–**	2,806,159
Total non-current liabilities		**1,048,669**	5,226,658
Total liabilities		**3,287,853**	7,184,837
Net assets		**14,958,610**	14,670,982
EQUITY			
Share capital	7(a)	**48,271,499**	35,254,248
Other reserves	7(b)	**59,197**	888,594
Accumulated losses		**(33,372,086)**	(21,471,860)
Total equity		**14,958,610**	14,670,982

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	Attributable to owners of Amaero International Ltd Share capital $	Other reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2021		27,173,600	824,124	(12,850,371)	15,147,353
Loss for the period		–	–	(8,621,489)	(8,621,489)
Other comprehensive income/(loss)		–	319,843	–	319,843
Total comprehensive income/(loss) for the period		–	319,843	(8,621,489)	(8,301,646)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7(a)	7,552,794	–	–	7,552,794
Performance rights issued		467,854	–	–	467,854
Employee share schemes - value of employee services	7(b)	–	(403,583)	–	(403,583)
Issue of shares in lieu of payment for services		60,000	–	–	60,000
Issue of deferred shares		–	148,210	–	148,210
		8,080,648	(255,373)	–	7,825,275
Balance at 30 June 2022		35,254,248	888,594	(21,471,860)	14,670,982

	Notes	Attributable to owners of Amaero International Ltd Share capital $	Other reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022		35,254,248	888,594	(21,471,860)	14,670,982
Loss for the period		–	–	(12,527,776)	(12,527,776)
Other comprehensive income/(loss)		–	76,290	–	76,290
Total comprehensive income/(loss) for the period		–	76,290	(12,527,776)	(12,451,486)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7(a)	12,822,455	–	–	12,822,455
Employee share schemes - value of employee services	7(b)	194,796	(278,137)	–	(83,341)
Options lapsed/expired	7(b)	–	(627,550)	627,550	–
		13,017,251	(905,687)	627,550	12,739,114
Balance at 30 June 2023		**48,271,499**	**59,197**	**(33,372,086)**	**14,958,610**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2023

	Notes	Consolidated 30 June 2023 $	Consolidated 30 June 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**881,507**	529,842
Payments to suppliers and employees (inclusive of GST)		**(12,882,569)**	(9,176,640)
R&D tax incentive and other grants received		**1,392,828**	884,062
Interest received		**27,126**	23,786
Interest paid		**(240,577)**	(219,344)
Net cash (outflow) from operating activities	8(a)	**(10,821,685)**	(7,958,294)
Cash flows from investing activities			
Payments for property, plant and equipment	6(b)	**(1,559,710)**	(3,151,093)
Payments for joint ventures		**(10,000)**	(25,000)
Proceeds from disposal of property, plant and equipment		**750,000**	–
Net cash (outflow) from investing activities		**(819,710)**	(3,176,093)
Cash flows from financing activities			
Proceeds from issue of shares	7(a)	**10,607,925**	8,135,120
Proceeds from the issue of convertible note		**–**	2,806,159
Share issue transaction costs		**(1,345,387)**	(34,356)
Repayment of principal portion of leases		**(299,558)**	(220,142)
Net cash inflow from financing activities		**8,962,980**	10,686,781
Net (decrease) in cash and cash equivalents		**(2,678,415)**	(447,606)
Cash and cash equivalents at the beginning of the financial year		**11,117,957**	11,466,845
Effects of exchange rate changes on cash and cash equivalents		**393,926**	98,718
Cash and cash equivalents at the end of the financial year		**8,833,468**	11,117,957

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of Amaero International Ltd. The group has identified one reportable segment; that is, the research, development, manufacture and sales of laser-based metal additive (3D printed) goods. The segment details are therefore fully reflected in the body of the financial statements.

2 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods at a point in time and the transfer of services over time:

	30 June 2023 $	30 June 2022 $
Sale of goods		
Component sales	790,514	554,697
Services		
Engineering services	–	15,137
	790,514	569,834

(b) Accounting policies

(i) Component sales

Revenue from the sale of laser-based metal additive (3D printed) goods are recognised at a point in time. The performance obligation is satisfied when the customer has access and thus control of the product. This occurs at the time of delivery of goods to the customer. Delivery occurs when the products have been shipped to the specific location, the risks and rewards have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Engineering services

Revenue from the provision of engineering services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Critical judgements in allocating the transaction price

Revenue relating to the provision of services is recognised based on managements' best estimate of forecast final costs required to complete the service and the forecast final margin. Management reviews these forecasts on a regular basis and adjusts revenue recognised when there are material changes.

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2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(b) Accounting policies (continued)

(iii) Consulting

Revenue from the provision of consulting services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

(iv) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

3 OTHER INCOME AND EXPENSE ITEMS

(a) Other income

	30 June 2023 $	30 June 2022 $
Research and development tax incentive (i)	**1,319,628**	795,479
Other grants (ii)	**73,200**	88,583
Profit on lease modification (iii)	**401,831**	–
Other (iv)	**20,023**	–
	1,814,682	884,062

(i) Fair value of R&D tax incentive

The group's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured.

(ii) Fair value of other grants

The group's other grant income consists of grants received by the group and government assistance received in relation to COVID-19. For the year ended 30 June 2023, the group received $73,200 (2022: nil) of grants and no government assistance packages (2022: $88,583).

(iii) Profit on lease modification

Represents profit on remeasurement of lease liability resulting from reassessment of lease terms in accordance with AASB 16 Leases.

(iv) Other

Settlement received of $750,000 as full and final settlement received in dispute with Ampro Innovations Pty Ltd. The balance consists of the assets written of as a result of the dispute, and then funds received as settlement there of.

3 OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

(b) Breakdown of expenses by nature

	Notes	30 June 2023 $	30 June 2022 $
General and administrative expenses			
Accounting and audit		**336,641**	167,307
Contracting and consulting		**1,280,103**	697,176
Depreciation		**1,523,981**	1,056,202
Employee benefits		**2,001,895**	1,514,671
Equipment expenses		**160,859**	325,958
Insurance		**250,254**	244,968
Investor and public relations		**125,107**	121,590
Legal and company secretarial		**401,553**	209,920
Listing and share registry		**187,287**	143,329
Occupancy	6(e)	**405,322**	189,023
Share-based payments	16(b)	**(69,876)**	208,511
Defined contribution plans - Superannuation		**207,963**	122,530
Travel		**592,673**	249,990
Other		**322,062**	481,132
		7,725,824	5,732,307

(c) Restructuring cost

During the period, the Board completed its strategic review of the business and decided not to proceed with the titanium powder manufacturing facilities in Victoria Australia and is pursuing alternative opportunities for titanium powder production. As part of the restructure, the Group has terminated its lease in respect of the proposed manufacturing facility at 59 Normanby Road, Notting Hill, Victoria. The Management has incurred restructuring costs of $2.9 million comprising the direct costs relating to the planned relocation of operations including but not limited to:

- Set up costs in the UAE
- Lease termination and related costs
- Legal Fees
- Research fees
- Employee redundancy costs.

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4 INCOME TAX EXPENSE

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2023 $	30 June 2022 $
Loss from continuing operations before income tax expense	(12,527,776)	(8,621,489)
Tax at the Australian tax rate of 25% (2022: 25%)	(3,131,944)	(2,155,372)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D tax incentive	(329,907)	(198,870)
Accounting expenditure subject to R&D tax incentive	758,407	457,172
Other grants	(18,300)	1,239
Accrued expenses	46,106	31,546
Blackhole expenditure (Section 40-880, ITAA 1997)	–	(12,960)
Employee leave obligations	10,256	(12,776)
Entertainment	3,180	4,779
Legal fees	103,007	52,921
Share-based payments	(17,469)	59,029
Unrealised currency (gains)/losses	(76,736)	(16,049)
Other items	27,450	(20,276)
Subtotal	(2,625,950)	(1,809,617)
Difference in overseas tax rates	(21,458)	(25,730)
Tax losses and other timing differences for which no deferred tax asset is recognised	2,647,408	1,835,347
Income tax expense	–	–

(b) Tax losses

	30 June 2023 $	30 June 2022 $
Unused tax losses for which no deferred tax asset has been recognised	27,568,899	16,979,267
Potential tax benefit @ 25% (2022: 25%)	6,892,225	4,244,817

Unused tax losses comprise those attributed to the group for the year ended 30 June 2023 and pre-acquisition losses attributed to Amaero Engineering Pty Ltd.

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Cash and cash equivalents

	30 June 2023 $	30 June 2022 $
Current assets		
Cash at bank and in hand	**8,782,689**	11,067,417
Deposits at call	**50,779**	50,540
	8,833,468	11,117,957

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	30 June 2023 $	30 June 2022 $
Balances as above	**8,833,468**	11,117,957
Balances per statement of cash flows	**8,833,468**	11,117,957

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See Note 20(k) for the group's other accounting policies on cash and cash equivalents.

(b) Trade and other receivables

	30 June 2023			30 June 2022		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Trade receivables	**84,719**	–	**84,719**	96,661	–	96,661
	84,719	–	**84,719**	96,661	–	96,661
Other receivables	**71,044**	–	**71,044**	269,477	–	269,477
Total trade and other receivables	**155,763**	–	**155,763**	366,138	–	366,138

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note 10(b).

Notes to the Financial Statements

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5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Trade and other receivables (continued)

(ii) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to foreign currency risk and credit risk can be found in Note 10(a) and 10(b).

(c) Trade and other payables

	30 June 2023			30 June 2022		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Trade payables	**312,577**	–	**312,577**	1,043,783	–	1,043,783
Accrued expenses	**458,227**	–	**458,227**	333,628	–	333,628
Other payables	**55,443**	–	**55,443**	65,898	–	65,898
	826,247	–	**826,247**	1,443,309	–	1,443,309

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

6 NON-FINANCIAL ASSETS AND LIABILITIES

(a) Inventories

	30 June 2023			30 June 2022		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Raw materials	**1,026,757**	–	**1,026,757**	1,077,199	–	1,077,199
Work in progress	–	–	–	10,661	–	10,661
	1,026,757	–	**1,026,757**	1,087,860	–	1,087,860

(i) Impairment

The level of the provision is assessed by taking into account the life of the raw material based on use. This is assessed by experts within the group.

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment

Non-current	Plant and equipment $	Furniture, fittings and equipment $	Leasehold improvements $	Right-of-use assets $	Assets under construction $	Total $
At 1 July 2021						
Cost or fair value	3,703,676	63,471	515,297	3,438,140	–	7,720,584
Accumulated depreciation	(858,358)	(27,972)	(71,442)	(659,909)	–	(1,617,681)
Net book amount	2,845,318	35,499	443,855	2,778,231	–	6,102,903
Year ended 30 June 2022						
Opening net book amount	2,845,318	35,499	443,855	2,778,231	–	6,102,903
Additions	249,074	1,999	–	–	2,900,020	3,151,093
Exchange differences	194,915	997	38,210	161,342	–	395,464
Depreciation charge	(593,707)	(10,286)	(54,190)	(398,019)	–	(1,056,202)
Closing net book amount	2,695,600	28,209	427,875	2,541,554	2,900,020	8,593,258
At 30 June 2022						
Cost or fair value	4,209,290	67,214	562,347	3,646,680	2,900,020	11,385,551
Accumulated depreciation	(1,513,690)	(39,005)	(134,472)	(1,105,126)	–	(2,792,293)
Net book amount	2,695,600	28,209	427,875	2,541,554	2,900,020	8,593,258
At 1 July 2022						
Cost or fair value	4,209,290	67,214	562,347	3,646,680	2,900,020	11,385,551
Accumulated depreciation	(1,513,690)	(39,005)	(134,472)	(1,105,126)	–	(2,792,293)
Net book amount	2,695,600	28,209	427,875	2,541,554	2,900,020	8,593,258
Year ended 30 June 2023						
Opening net book amount	**2,695,600**	**28,209**	**427,875**	**2,541,554**	**2,900,020**	**8,593,258**
Lease modification	**–**	**–**	**–**	**(1,145,955)**	**–**	**(1,145,955)**
Additions	**501,711**	**–**	**–**	**874,590**	**1,039,398**	**2,415,699**
Exchange differences	**77,339**	**424**	**15,433**	**(31,451)**	**–**	**61,745**
Disposals	**(742,826)**	**–**	**–**	**–**	**–**	**(742,826)**
Depreciation charge	**(538,891)**	**(7,002)**	**(254,365)**	**(723,723)**	**–**	**(1,523,981)**
Closing net book amount	**1,992,933**	**21,631**	**188,943**	**1,515,015**	**3,939,418**	**7,657,940**
At 30 June 2023						
Cost	**3,525,893**	**68,029**	**584,315**	**3,375,315**	**3,939,418**	**11,492,970**
Accumulated depreciation	**(1,532,960)**	**(46,398)**	**(395,372)**	**(1,860,300)**	**–**	**(3,835,030)**
Net book amount	**1,992,933**	**21,631**	**188,943**	**1,515,015**	**3,939,418**	**7,657,940**

Notes to the Financial Statements

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6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Property, plant and equipment (continued)

(i) Depreciation methods and useful lives

Property, plant and equipment is recognised at historical cost less depreciation.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant and equipment 5 -10 years
- Furniture, fittings and equipment 2 - 10 years
- Leasehold improvements 10 years or the term of the lease, whichever is shorter

Right-of-use assets are depreciated over the term of the lease, on a straight-line basis.

See Note 20(p) for the other accounting policies relevant to property, plant and equipment.

(c) Other non-current assets

	30 June 2023 $	30 June 2022 $
Non-current assets		
Rental bond	**245,981**	191,832

(d) Employee benefit obligations

	30 June 2023			30 June 2022		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Leave obligations (i)	**269,520**	**80,205**	**349,725**	232,042	56,481	288,523

(i) Leave obligations

The leave obligations cover the group's liabilities for annual leave which are classified as short-term benefits, as explained in Note 20(s).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $269,520 (2022: $232,042) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(e) Leases

The group leases four office and manufacturing facilities located in Melbourne and Adelaide, Australia, El Segundo, California, USA and Abu Dhabi UAE.

The group has a sub-lease agreement with the University of Adelaide for the use of manufacturing and office facilities in Womma Road, Edinburgh North, South Australia. Commencing October 2019, the term of the lease is for three years and six months with a option to extend another 3 years. The lease calculation has been modified for an end date of 31 December 2023.

The group has a sub-lease agreement with Monash University for its head office and manufacturing facility at 13 Normanby Road, Notting Hill, Victoria. Commencing 1 October 2019, the term of the lease is for one year and eleven months with a further term of five years which has commenced on 1 September 2021.

The group leases office and manufacturing facilities in California, USA. Commencing November 2019, the term of the lease is for five years with an option to extend for a further term of five years. As at 30 June 2023, the management has assessed that the option to extend will not be exercised.

The group entered a Strategic Partnership Agreement with The University of Adelaide for the provision of facility, equipment and services. Commencing 14 October 2019, the term is for 5 years. As at 30 June 2023, the management has assessed that the option to extend will not be exercised.

The group entered into a lease agreement with Confluence Partners (HQ) RSC LTD for the lease of an office on Floor 9, Al Sarab Tower Abu Dhabi global market square, Al Mary Island Abu Dhabi. Commencing 1 March 2023, the lease has a term of 5 years.

6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Leases (continued)

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2023 $	30 June 2022 $
Right-of-use assets[1]		
Properties	1,515,015	2,541,554
	1,515,015	2,541,554
Lease liabilities[2]		
Current	674,177	282,828
Non-current	968,464	2,364,018
	1,642,641	2,646,846

1. Included in the line item 'property, plant and equipment' in the consolidated balance sheet.
2. Included in the line items 'other current liabilities' and 'other non-current liabilities' in the consolidated balance sheet.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	30 June 2023 $	30 June 2022 $
Depreciation charge of right-of-use assets			
Properties		723,723	398,019
	3(b)	723,723	398,019
Interest expense (included in finance cost)		195,730	204,026
Expense relating to short-term leases (included in other expenses)	3(b)	–	–
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	3(b)	405,322	189,023
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	3(b)	–	–
The total cash outflow for leases in 2023 was $299,558 (2022: $220,142).			

(iii) The group's leasing activities and how these are accounted for

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(f) Investments accounted for using the equity method

	30 June 2023 $	30 June 2022 $
Non-current assets		
Interest in joint venture	209,099	351,834

Refer to Note 12(b) for further information on interests in joint ventures.

(g) Convertible Notes

Pursuant to a subscription agreement entered into with Pegasus Growth Capital, the Group issued 2,806,159 Convertible Notes ("CN") on 23 May 2022, with a face value of AUD 1.00 each, convertible into ordinary shares in the capital of Amaero International Ltd. The CN was converted on 9 August 2022 after FIRB approval was received. Interest to the value of $13,483 was expensed.

(h) Provision for restructuring

	30 June 2023 $
Carrying amount at the start of the period	-
Additional provisions recognised during the period	2,911,596
Provisions utilised during the period	(2,442,356)
Carrying amount at the end of the period	469,240

The provision represents costs of restructuring operations in Australia and United States. Refer Note 3(c) for further details.

7 EQUITY

(a) Share capital

	Notes	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 $	30 June 2022 $
Ordinary shares	7(a)(ii)				
Fully paid		**416,845,213**	241,347,942	**48,271,499**	35,254,248
	7(a)(i)	**416,845,213**	241,347,942	**48,271,499**	35,254,248

(i) Movements in ordinary shares:

Details	Notes	Number of shares	Total $
Balance at 1 July 2021		**201,777,549**	**27,173,600**
Issue at $0.33 performance rights shares (2021-07-06)		240,695	79,502
Issue at $0.33 performance milestone shares (2021-09-01)		770,000	383,352
Issue at $0.50 salary sacrifice shares (2021-11-30)		10,042	5,000
Issue at $0.50 in lieu of payment for services (2021-11-30)		120,515	60,000
Issue at $0.21 pursuant to private placement (2022-05-20)		33,667,236	7,070,120
Issue at $0.21 pursuant to private placement (2022-06-29)		4,761,905	1,000,000
Less: Transaction costs arising on share issues		–	(517,326)
Balance 30 June 2022		**241,347,942**	**35,254,248**

Details	Notes	Number of shares	Total $
Balance at 1 July 2022		**241,347,942**	**35,254,248**
Issue at $0.185 performance rights shares (2022-07-18)		219,629	40,631
Issue at $0.169 performance milestone shares (2022-07-18)		432,563	73,060
Issue at $0.21 pursuant to private placement (2022-08-01)		513,948	107,929
Issue at $0.21 via conversion of convertible notes (2022-08-09)		13,362,663	2,806,159
Issue at $0.097 performance milestone shares (2022-10-05)		837,862	81,105
Issue at $0.067 entitlement offer shares (2022-12-02)		156,716,418	10,500,000
Issue at $0.071 in lieu of payment for services (2022-12-13)		2,029,188	144,072
Issue at $0.16 in lieu of payment for services (2023-05-01)		1,385,000	221,600
Less: Transaction costs arising on share issues		–	(957,305)
Balance 30 June 2023		**416,845,213**	**48,271,499**

(ii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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7 EQUITY (CONTINUED)

(b) Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Notes	Share-based payments reserve $	Foreign currency translation $	Total other reserves $
At 1 July 2021		**1,161,060**	**(336,936)**	**824,124**
Currency translation differences		–	319,843	319,843
Other comprehensive income		–	319,843	319,843
Transactions with owners in their capacity as owners				
Share-based payment expenses		(403,583)	–	(403,583)
Share-based payments (net)		148,210	–	148,210
At 30 June 2022		**905,687**	**(17,093)**	**888,594**
At 1 July 2022		905,687	(17,093)	888,594
Transfer to retained earnings		(627,550)	–	(627,550)
Currency translation differences		–	76,290	76,290
Other comprehensive income		–	76,290	76,290
Transactions with owners in their capacity as owners				
Share-based payments (net)		(278,137)	–	(278,137)
At 30 June 2023		**–**	**59,197**	**59,197**

(i) Nature and purpose of other reserves

Share-based payments

The share-based payment reserve records items recognised as expenses on valuation of share options issued to key management personnel, other employees and eligible contractors.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 20(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(ii) Performance rights

On 7 July 2020, the Amaero Board resolved to offer approximately 3 million Retention Performance rights to their employees subject to certain conditions. The number of Retention Performance rights issued on 1 September 2020 was 1,422,883 based on the 5-day VWAP (volume weighted average price) for the period from 24 to 28 August 2020 inclusive. Each of the Retention Performance rights entitles the holder to be issued one fully paid ordinary share of the group for no cash consideration upon vesting. The Retention Performance rights will convert into ordinary shares upon achievement of each performance condition and will expire when the performance condition is met. If the Employee does not remain as an Employee of Amaero at the time of the performance condition, the remainder of their Retention Performance Rights will lapse. The performance conditions are set out to incentivise employees to remain with Amaero to ensure their interests and motivations are aligned with the interests and motivations of shareholders of Amaero. The number of offered Retention Performance rights that each employee is to receive is based on 30% of their salary as at 30 June 2020.

7 EQUITY (CONTINUED)

(b) Other reserves (continued)

During the year, 219,629 Performance Rights Class C were converted into Shares. In addition, 2,022,491 Performance Rights were issued and vested upon the attainment of conditions. 94,124 Performance Rights were subsequently lapsed because the conditions have not been, or have become incapable of being, satisfied. 432,563 Performance Rights were subsequently converted into Shares.

As at 30 June 2023, 1,757,565 Performance Rights remain outstanding.

Performance right class	Performance condition	Approximate number of rights
Class C	Performance rights vest on 1 July 2022	21,066
Class D	Performance rights vest on 1 July 2023	240,695
New Class	Performance rights vested on 18 July 2022	1,495,804
	Total	**1,757,565**

(iii) Movements in options:

Details	Number of options	Total $
Balance at 1 July 2021	3,500,000	627,550
Balance 30 June 2022	3,500,000	627,550
Issue of unlisted options at $0.42 (2022-07-04)	7,520,439	–
Issue of unlisted options at $0.42 (2022-08-01)	18,673,464	–
Issue of listed options at $0.18 (2022-12-02)	188,059,702	–
Lapse of unlisted options at $1.00 (2022-12-10)	(3,500,000)	(627,550)
Balance 30 June 2023	214,253,605	–

Notes to the Financial Statements

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8 CASH FLOW INFORMATION

(a) Reconciliation of loss after income tax to net cash inflow from operating activities

	Notes	30 June 2023 $	30 June 2022 $
Loss for the period		(12,527,776)	(8,621,489)
Adjustments for			
Lease modification		(401,831)	–
Depreciation and amortisation		1,523,981	1,056,202
Finance costs		–	219,344
Finance income		(21,016)	(30,743)
Loss on sale of property, plant and equipment		(20,023)	–
Movement in employee benefits liability		61,202	82,504
Share-based payments	16	(69,876)	208,511
Share of loss of joint ventures		173,751	10,011
Unrealised net foreign currency (gains)/losses		(392,844)	(64,195)
Issue of shares to vendors		221,600	–
Change in operating assets and liabilities:			
Movement in trade and other receivables		210,375	(200,313)
Movement in inventories		61,103	(317,032)
Movement in other operating assets		(24,664)	(7,408)
Movement in trade and other payables		(84,912)	(293,686)
Movement in other operating liabilities		469,245	–
Net cash inflow (outflow) from operating activities		(10,821,685)	(7,958,294)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- shares issued for no cash consideration - Note 7(a)(i)
- additions to right of use assets - Note 6(b)

9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Estimation of R&D tax incentive income accrual - Note 3(a)(i)
- Estimation of employee benefit obligations - Note 6(d)(i)
- Estimation of share-based payments - Note 16(a)
- Estimation of useful lives of property, plant and equipment - Note 6(b)(i)
- Estimation of incremental borrowing rates for leases and lease terms - Note 6(e)(iii)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

10 FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by the Board. The Board monitors the group's financial risk management policies and exposures and approves substantial financial transactions. It also reviews the effectiveness of internal controls relating to market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange rate risk arises from financial assets and financial liabilities denominated in a currency that is not the group's functional currency. Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to the movement in foreign exchange rates of currencies in which the group holds financial instruments which are other than the Australian dollar (AUD) functional currency of the group. This risk is measured using sensitivity analysis and cash flow forecasting. The cost of hedging at this time outweighs any benefits that may be obtained.

Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2023		30 June 2022	
	USD $	EUR $	USD $	EUR $
Cash and cash equivalents	**6,261,035**	**24,322**	8,228,226	754,345
Trade receivables	**–**	**–**	73,702	–
Trade payables	**159,010**	**–**	157,838	–
Total exposure	**6,420,045**	**24,322**	8,459,766	754,345

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10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Sensitivity

As shown in the table above, the group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

The group has conducted a sensitivity analysis of its exposure to foreign currency risk. The group is currently materially exposed to the United States dollar (USD). The sensitivity analysis is conducted on a currency-by-currency basis using the sensitivity analysis variable, which is based on the average annual movement in exchange rates over the past five years at year-end spot rates. The variable for each currency the group is materially exposed to is listed below:

- USD: 5.8% (2022: 5.8%)
- EUR: 3.8% (2022: 3.4%)

	Impact on loss for the period		Impact on other components of equity	
	2023 $	2022 $	2023 $	2022 $
USD/AUD exchange rate*	**372,363**	490,666	**–**	–
EUR/AUD exchange rate*	**924**	25,648	**–**	–

* Holding all other variables constant

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group.

(i) Risk management

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

(ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The group has one type of financial asset subject to the expected credit loss model:

- trade receivables for sales of goods and from the provision of services

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2023 was determined for trade receivables as nil (2022: nil). Uncollectible amounts were written off as bad debts by the Group immediately prior to the business acquisition.

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 121 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing cash and cash equivalents and deposits at call with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months $	6 - 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
At 30 June 2023							
Trade and other payables	826,247	–	–	–	–	826,247	826,247
Leases	672,567	950,417	1,392,769	3,393,335	–	6,409,088	6,409,088
Total	1,498,814	950,417	1,392,769	3,393,335	–	7,235,335	7,235,335
At 30 June 2022							
Trade and other payables	1,443,309	–	–	–	–	1,443,309	1,443,309
Leases	201,868	286,185	502,596	1,526,003	1,012,958	3,529,610	3,529,610
Total	1,645,177	286,185	502,596	1,526,003	1,012,958	4,972,919	4,972,919

11 CAPITAL MANAGEMENT

(a) Risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares or reduce its capital, subject to the provisions of the group's constitution. The capital structure of the group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the group's management, the Board monitors the need to raise additional equity from the equity markets.

(b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2023 (2022: nil). The group's franking account balance was nil at 30 June 2023 (2022: nil).

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12 INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2023 %	Ownership interest held by the group 2022 %
Amaero Engineering Pty Ltd	Australia	**100**	100
AM Amaero Inc	United States	**100**	100
Amaero Alloys Pty Ltd	Australia	**100**	100
Amaero Advanced Metals Ltd*	UAE	**100**	–

* In November 2022, Amaero International Ltd signed a non-binding term sheet (JV Term Sheet) to form a joint venture (Joint Venture) with UAE-based strategic partner, Technology Holding Company LLC, an affiliate of Ethmar Holdings, (JV Partner), for the production of titanium, aluminium and super alloy powders in the UAE.

In March 2023, Amaero International Ltd increased its ownership of the UAE project from 50% to 100% and all governance reverts back to the Company. The JV Partner will no longer be obligated to directly fund its pro rata share of working capital nor have an implicit commitment to fund capital expenditures and it will no longer be a 50% JV Partner nor have exclusivity in the Middle East. Amaero International Ltd subsequently formed a wholly owned subsidiary Amaero Advanced Metals Ltd. The nature of the business is the same as the initial Joint Venture's, that being, the production of titanium, aluminium and super alloy powders in the UAE.

(b) Interests in joint ventures

Amaero has a 45% interest in a Joint Venture Research Agreement (JV) with PPK Group Ltd (45%) and Deakin University (10%). The parties incorporated Strategic Alloys Pty Limited to develop a super strength aluminium alloy. The group's interest in Strategic Alloys Pty Limited is accounted for using the equity method in the financial statements.

(i) Summarised financial information for joint ventures

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised balance sheet	30 June 2023 $	30 June 2022 $
Assets		
Current assets (including cash and other cash equivalents)	**3,432**	10,267
Intangible assets	**739,195**	696,968
Total current assets	**742,627**	707,235
Liabilities		
Financial liabilities	**803,542**	733,065
Total liabilities	**803,542**	733,065
Net assets	**(60,915)**	(25,830)

12 INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Interests in joint ventures (continued)

Summarised statement of comprehensive income	2023 $	2022 $
Administration expenses	(35,084)	(22,247)
Loss before income tax	(35,084)	(22,247)
Income tax expense	–	–
Other comprehensive income	–	–
Total comprehensive income	(35,084)	(22,247)

Reconciliation of the consolidated entity's carrying amount	30 June 2023 $	30 June 2022 $
Opening carrying amount	351,834	321,535
Investment in Strategic Alloys Pty Ltd (including interest accrued)	31,016	40,310
Share of loss after income tax	(173,751)	(10,011)
	209,099	351,834

(c) Group's transactions with joint ventures

Loan to joint venture given during the year was $10,000 (2022: $25,000).

Loans and capitalised interest to the joint venture are included in the carrying amount of investment.

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The group had no contingent liabilities at 30 June 2023 (2022: nil).

The group had commitments for capital expenditure at 30 June 2023 of $609,236 (2022: $3,293,000).

14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 14 July 2023 Amaero announced it has green lighted its flagship titanium powder manufacturing facility in Tennessee, U.S instead of the UAE. The State of Tennessee acted decisively to coordinate and to commit economic incentives from multiple stakeholders to attract the re-location of the flagship facility, as well as Amaero's research & development and corporate headquarters.

On 12 July 2023 the new entity in Tennessee was incorporated: Amaero Advanced Material & Manufacturing INC.

On 12 July 2023 Amaero signed a lease to be the sole tenant in 12,100 square metre manufacturing facility in Cleveland, Tennessee. The primary facility is comprised of 9,300 square metres and the shell will be completed in August 2023. In conjunction with the lease, a 2,800 square metre high-bay extension will be designed and purpose built for the installation of four (4) electrode inert gas atomisers (EIGAs). It is expected that Amaero will occupy the 9,300 square metre facility in April 2024 and will occupy the 2,800 square metre high-bay extension in July 2024.

The lease is for an initial term of 15 years with an option to extend for another 5 years. This will result in recognition of right-of-use asset of $24,196,000 and a corresponding lease liability of $21,179,409 and make good provision of $3,016,591 in accordance with AASB 16 Leases.

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15 RELATED PARTY TRANSACTIONS

(a) Subsidiaries and joint ventures

Interests in subsidiaries and joint ventures are set out in Note 12(a) and 12(b) respectively.

(b) Key management personnel compensation

	30 June 2023 $	30 June 2022 $
Short-term employee benefits	**2,417,470**	635,733
Post-employment benefits	**149,888**	40,700
Long-term benefits	**9,860**	6,309
Share-based payments	**–**	153,559
	2,577,218	836,301

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 19.

(c) Transactions with related parties

The following transactions occurred with related parties:

	30 June 2023 $	30 June 2022 $
Sales and purchases of goods and services		
Purchases of various services from an entity having a significant influence over the group - Innovyz Institute Pty Ltd	**89,466**	260,047
Purchases of various services from an entity related to a director - Monash University	**539,381**	428,218

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2023 $	30 June 2022 $
Current payables (purchases of goods and services)		
Entity having a significant influence over the group - Innovyz Institute Pty Ltd	**–**	32,905
Entity related to the director - Monash University	**80,071**	76,255
Amounts payable to directors:		
Hank Holland	**101,340**	–
Omer Granit	**35,000**	–
Lucy Robb Vujcic	**5,500**	–
Erik Levy	**15,000**	–

16 SHARE-BASED PAYMENTS

(a) Options

Amaero International Ltd has the ability to issue options to employees under the employee option plan (ESOP) which was approved by shareholders at the 2019 annual general meeting. Additionally, the group has the ability to issue options to consultants under its 15% capacity. The issuance of options is designed to provide long-term incentives for the holder to deliver long-term shareholder returns. Issuance of the equity is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of all listed and unlisted options, including those issued under ESOP:

	30 June 2023		30 June 2022	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	–	–	$1.00	3,500,000
As at 30 June	–	–	$1.00	3,500,000
Vested and exercisable at 30 June	–	–	$1.00	3,500,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price ($)	Share options 30 June 2023	Share options 30 June 2022
10/12/2020	10/12/2022	$1.00	–	3,500,000
04/07/2022	04/07/2025	$0.42	7,520,439	–
01/08/2022	01/08/2025	$0.42	18,673,464	–
02/12/2022	02/12/2025	$0.18	188,059,702	–
Total			214,253,605	3,500,000
Weighted average remaining contractual life of options outstanding at end of period			2.38	0.45

(i) Fair value of options granted

The assessed fair value of options at grant date was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions.

Share options granted during the year are in relation to holders of equity instruments in the Company in their capacity as holders of equity instruments and hence not subject to fair valuation requirements under AASB 2 Share-based Payments.

Weighted Average share price during the financial year was $0.080 (2022 : $0.210)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	30 June 2023 $	30 June 2022 $
Deferred shares and performance rights issued under the short-term incentive scheme	(69,876)	208,511

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17 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) RSM Australia Partners

(i) Audit and other assurance services

	2023 $	2022 $
Audit and review of financial statements	**74,500**	52,200
Total remuneration for audit and other assurance services	**74,500**	52,200
Total auditor's remuneration	**74,500**	52,200

18 LOSS PER SHARE

(a) Reconciliation of loss used in calculating loss per share

	30 June 2023 $	30 June 2022 $
Basic and diluted loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating loss per share:		
From continuing operations	**12,527,776**	8,621,489

(b) Weighted average number of shares used as the denominator

	2023 Number	2022 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**346,449,926**	206,522,059

Potential ordinary shares comprising share options and performance rights have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

19 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2023 $	30 June 2022 $
Balance sheet		
Current assets	6,759,359	9,907,012
Non-current assets	32,066,951	23,415,104
Total assets	38,826,310	33,322,116
Current liabilities	842,122	940,574
Non-current liabilities	202,572	3,088,604
Total liabilities	1,044,694	4,029,178
Shareholders' equity		
Share capital	48,271,499	35,254,248
Reserves		
Share-based payments reserve	–	905,687
Accumulated losses	(10,489,883)	(6,866,997)
	37,781,616	29,292,938
Profit / (Loss) for the period	(4,250,433)	(1,795,522)
Total comprehensive income (loss)	(4,250,433)	(1,795,522)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries in the year ended 30 June 2023 (2022: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment in the year ended 30 June 2023 (2022: nil).

(e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the following:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Amaero International Ltd.

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20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Amaero International Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Amaero International Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Amaero International Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the group

There are no new accounting standards or interpretations that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(iv) New standards and interpretations not yet adopted

There are no new standards and interpretations that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 20(i)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has been identified as the chief executive officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Amaero International Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other gains/(losses).

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated income statement and consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in Note 2.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Note 3 provides further information on how the group accounts for government grants.

(g) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases . Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The accounting policies for the group's leases are explained in Note 6(e)(iii).

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(j) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 5(b) for further information about the group's accounting for trade receivables and Note 10(b) for a description of the group's impairment policies.

(m) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

(o) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to the Financial Statements

30 June 2023

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments and other financial assets (continued)

(iv) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(v) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in Note 6(b).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 20(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings (continued)

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

Notes to the Financial Statements

30 June 2023

20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss after income tax of $12,527,776 and had net cash outflows from operating activities of $10,821,685 respectively for the year ended 30 June 2023.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The budget and cash flow forecast for the twelve-month period from the date of signing the financial statements, which has been prepared based on assumptions about certain economic conditions, operating and strategic transactions, shows that the Group will continue to hold a cash surplus and therefore supports the Directors' assertion. The cash flow forecast reflects, among other things, capital expenditure associated with fit out of Tennessee facility in USA and purchase of capital equipment; and
- The Directors believe the Group may have the ability to raise additional funds from existing shareholders and new investors to support working capital and execute its strategic growth initiatives.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 25 to 58 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 20(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of directors.

Mr Hank J. Holland
Chairman and Chief Executive Officer

Melbourne
25 August 2023

Independent Auditor's Report

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Amaero International Limited

Opinion

We have audited the financial report of Amaero International Limited ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises the consolidated balance sheet as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Accounting for leases (including lease modifications) Refer to Note 6(e) and Note 14 in the financial statements	
As part of its ongoing restructuring activities, the Group terminated its lease in Victoria, Australia and the terms and planned usage of certain leased properties in Australia and USA have been revised, resulting in corresponding modifications. During the year, the Group entered into a lease for office space in the UAE. Subsequent to year-end, the Group has also entered into a significant lease arrangement in Cleveland, Tennessee, USA as part of relocation of its manufacturing activities. We considered this as a key audit matter as accounting for leases (including lease modifications) are inherently complex due to the extent of judgment required in determining the inputs into the calculations of the lease liability and right-of-use asset, including: • the applicable discount rate; • the treatment of lease incentives; • the likelihood of exercise of options to extend or terminate early a lease; and • the measurement of estimated costs of making good the premises at the end of the lease.	Our audit procedures in relation to leases included: • Performing a test of completeness of all lease properties included in the lease calculations by independently obtaining the list of all lease agreements in force from the management; • Corroborating key inputs, including the commencement date, lease term, lease rentals (including lease incentives and variable lease payments) and provision for make-good to underlying lease documentation; • Critically evaluating the key assumptions made in the judgmental inputs, including the likelihood of exercise of options to extend or terminate early, the discount rate used for calculation of the lease liability (including modifications) and the make-good provision; • Verifying the mathematical accuracy of the underlying lease models by recalculating the resulting lease liability and right of use asset recognised, and the interest and depreciation charges recognised in the statement of profit and loss in the period; and • Reviewing the adequacy of the relevant disclosures in the financial statements, including those relating to the key estimates and judgments made.

Independent Auditor's Report

continued

RSM

Key Audit Matters (continued)

Restructuring costs Refer Note 3(c) and 6 (h) in the financial statements	
During the year, the Board completed its strategic review of the business and decided not to proceed with the titanium powder manufacturing facilities in Victoria, Australia and is pursuing alternative opportunities for titanium powder production. As part of the restructure, the management has incurred restructuring costs of $2.9 million comprising the direct costs relating to the planned relocation of operations including but not limited to: • Set up costs in the UAE and USA • Lease termination and related costs • Legal Fees • Research fees • Employee redundancy costs A provision for restructuring costs can only be recognised by the management when the recognition criteria as set out in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* are met and the entity has a constructive obligation to restructure. We considered this area as a key audit matter due to the materiality of the amount and due to the complexity of the recognition, measurement and disclosure requirements under the Accounting Standards.	As part of our audit procedures, we: • Obtained a position paper from the management in relation to provision for restructure and the compliance with the recognition and measurement criteria set out in AASB 137 and reviewed them for reasonableness; • Reviewed the minutes of the Directors' meetings and Group's ASX announcements in relation to restructure and assessed whether they constitute a constructive obligation to restructure wherein the Group has a detailed formal plan for the restructuring by identifying the business concerned, principal locations affected, expenditures undertaken and the planned timeline of the restructuring activities; • Performed tests of details over restructuring costs to ensure only direct expenditures arising from restructuring (being expenses both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group) have been considered; and • Reviewed adequacy of disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Amaero International Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Melbourne, Victoria
Dated: 25 August 2023

ASX Additional Information

as at 30 August 2023

ASX: 3DA

The shareholder information set out below was applicable as at 30 August 2023.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Class of equity security Ordinary shares

Holding	No. of holders (shares)	Shares	% Issued Share Capital
1 - 1000	221	144205	0.03%
1,001 - 5,000	627	1,795,704	0.43%
5,001 - 10,000	379	3,035,579	0.73%
10,001 - 100,000	877	32,591,060	7.82%
100,001 and over	329	379,278,665	90.99%
	2,433	**416,845,213**	**100.00%**

There were 524 holders of less than a marketable parcel of ordinary shares. Closing price on 30 August 2023 was $0.195.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of Number held issued shares
PEGASUS GROWTH CAPITAL FUND I LP	163,524,968	39.23%
ROSEWOOD ENGINEERING PTY LTD	20,900,000	5.01%
MONASH INVESTMENT HOLDINGS PTY LTD	18,315,178	4.39%
JUNE SEVENTY SIXERS LLC	16,195,106	3.89%
INNOVYZ INVESTMENT PTY LTD <INNOVYZ INVESTMENTS UNIT A/C>	6,739,567	1.62%
MR PHILIP JOHN CAWOOD	4,500,000	1.08%
UBS NOMINEES PTY LTD	3,892,774	0.93%
CASNEY PTY LTD <THE ARTURA A/C>	3,755,000	0.90%
THE UNIVERSITY OF ADELAIDE	3,333,334	0.80%
BUTTONWOOD NOMINEES PTY LTD	3,000,215	0.72%
NAHGALLAC PTY LIMITED <CALLAGHAN FMLY RET FUND A/C>	2,902,195	0.70%
NATIONAL ACCOUNTS PTY LTD <OMAHA INVESTMENTS UNIT A/C>	2,453,000	0.59%
PAC PARTNERS SECURITIES PTY LTD	2,209,533	0.53%
MR BENJAMIN RICHARD TIMMINS	2,200,000	0.53%
GRANIT MANAGEMENT LLC	2,029,188	0.49%
CITICORP NOMINEES PTY LIMITED	2,026,564	0.49%
JOMAHO INVESTMENTS PTY LTD	1,951,663	0.47%
ALLCARE INVESTMENTS PTY LTD <THE CRAY DISCRE FAMILY A/C>	1,900,000	0.46%
MR BARRIE ROBERT FINNIN	1,870,660	0.45%
SUNLAND SYSTEMS PTY LTD <THE SUNLAND SYSTEMS A/C>	1,801,492	0.43%
Total	**265,500,437**	**63.69%**
Total issued capital - oridnary fully paid	**416,845,213**	**100.00%**

ASX Additional Information

as at 30 August 2023

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	26193903	3
Performance rights over ordinary shares issued	1757565	21

The following holders have unquoted options each representing more than 20% of these securities:

Name	Class	Number held
PEGASUS GROWTH CAPITAL FUND I LP	Options @$0.42, expiring 01-AUG-2025	18,673,464
JUNE SEVENTY SIXERS LLC	Options @$0.42, expiring 04-JUL-2025	5,098,459
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	Options @$0.42, expiring 04-JUL-2025	2,421,980

Substantial holders

Substantial holders in the company are set out below (as per the lodged forms in ASX):

	Ordinary shares	
	Number held	Percentage
PEGASUS GROWTH CAPITAL FUND I LP	163,524,968	39.55%
ROSEWOOD ENGINEERING PTY LTD	20,900,000	5.01%

C. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Performance rights

No voting rights.

There are no other classes of equity securities.

ASX: 3DAO

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Class of equity security Quoted Options

Holding	No. of holders (quoted options)	Options	%
1 - 1000	21	12,789	0.01%
1,001 - 5,000	79	211,951	0.11%
5,001 - 10,000	54	416,735	0.22%
10,001 - 100,000	138	5,311,369	2.82%
100,001 and over	76	182,106,857	96.83%
	368	**188,059,701**	**100.00%**

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Quoted options Number held	Percentage of Number held quoted options
PEGASUS GROWTH CAPITAL FUND I LP	126,178,039	67.09%
MR PHILIP JOHN CAWOOD	10,186,567	5.42%
ROCKLEY CAPITAL PTY LTD <C & S REED FAMILY A/C>	10,186,567	5.42%
HANK J HOLLAND	8,373,134	4.45%
JUNE SEVENTY SIXERS LLC	5,998,188	3.19%
MR JULIAN A RZESNIOWIECKI & MS JANE KAREEN STRANGWARD	1,247,014	0.66%
MR BENJAMIN RICHARD TIMMINS	1,000,000	0.53%
MR NICHOLAS DERMOTT MCDONALD	975,530	0.52%
SUNLAND SYSTEMS PTY LTD <THE SUNLAND SYSTEMS A/C>	901,492	0.48%
MR BARRIE ROBERT FINNIN	750,746	0.40%
MR DAVID ALBERT MCCLURE ASHMORE & MRS NOLA JOY ASHMORE <DANJAY SUPERANNUATION A/C>	746,268	0.40%
PPK INVESTMENT HOLDINGS PTY LTD	730,000	0.39%
MR KEVIN DANIEL LEARY & MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	700,000	0.37%
MR JOSHUA ANTHONY SEDDON	697,015	0.37%
NAHGALLAC PTY LIMITED <CALLAGHAN FMLY RET FUND A/C>	660,465	0.35%
CONSOLIDATED FUZZ MANAGEMENT PTY LIMITED <CONSOLIDATED FUZZ S/F A/C>	526,775	0.28%
MR IAN JEFFREY CRAIG & MRS CLAIRE CRAIG	473,225	0.25%
MR MOGHSEEN JADWAT	401,176	0.21%
ABC MESH PTY LTD	397,164	0.21%
MR JOHN WALTERS & MS BERNADETTE PARKER	396,471	0.21%
P J GREG & CO PTY LTD	381,765	0.20%
Total	**171,907,601**	**91.41%**
Total issued capital - quoted options (3DAO)	**188,059,701**	**100.00%**

ASX Additional Information

as at 30 August 2023

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Class of equity security Performance Rights

Holding	No. of holders (performance rights)	Performance rights	%
1 - 1000	–	–	–
1,001 - 5,000	–	–	–
5,001 - 10,000	–	–	–
10,001 - 100,000	15	883,014	50.24%
100,001 and over	6	874,551	49.76%
	21	**1,757,565**	**100.00%**

Corporate Directory

DIRECTORS

Mr Hank J. Holland
Chairman and Chief Executive Officer (appointed as Director on 1 August 2022)

Mr David Hanna
Non-Executive Director

Ms Lucy Robb Vujcic
Non-Executive Director (appointed 25 November 2022)

Mr Omer Granit
Non-Executive Director (appointed 12 January 2023)

Mr Erik Levy
Non-Executive Director (appointed 31 March 2023)

SECRETARY

Mr Mark Licciardo

REGISTERED OFFICE

13 Normanby Road
Notting Hill VIC 3168 Australia

Telephone: +61 (0)3 9905 9847

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

13 Normanby Road
Notting Hill VIC 3168 Australia

Telephone: +61 (0)3 9905 9847

SHARE REGISTER

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000 Australia

Telephone: +61 (0)2 9698 5414

AUDITOR

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 3000 Australia

Telephone: +61 (0)3 9286 8000

SOLICITORS

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

Telephone: +61 2 9248 5555

WEBSITE

www.amaero.com.au

AMAERO INTERNATIONAL

www.amaero.com.au